

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
August 27, 2013**

A regular meeting of the Nebraska Investment Council convened at 8:30 a.m. at the Courtyard by Marriott Hotel in La Vista, NE.

Public notice was posted on the Nebraska Public Meeting Calendar on August 5, 2013, and published in the Lincoln Journal Star on August 15, 2013. Ms. Werner-Robertson chaired the meeting and Ms. Dawes recorded the minutes.

MEMBERS PRESENT:

Ms. Gail Werner-Robertson
Dr. Richard DeFusco
Mr. John Maginn
Mr. John Dinkel
Treasurer Don Stenberg
Ms. Phyllis Chambers

MEMBERS ABSENT:

Mr. John Conley

NONMEMBERS IN ATTENDANCE:

Mr. Jeff States, State Investment Officer
Ms. Kathy Dawes, Council Secretary
Mr. Christopher Heinrich, Harding & Shultz
Ms. Laurel Nicholson, Hewitt EnnisKnupp
Ms. Nancy Williams, Hewitt EnnisKnupp
Mr. David Rose, Hewitt EnnisKnupp
Mr. Joe Jurich, Nebraska Investment Council
Ms. JoLynn Winkler, Nebraska Investment Council
Ms. Rebekah Chow, Hewitt EnnisKnupp

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:31 a.m. to 8:32 a.m. Ms. Werner-Robertson stated that a copy of the Open Meetings Act is located on the side table.

APPROVAL OF THE MINUTES OF THE MAY 14, 2013, AND JULY 16, 2013, MEETINGS: 8:32 a.m. to 8:34 a.m. Mr. Maginn moved that the May 20, 2013, draft of the May 14, 2013, and the July 22, 2013, draft of the July 16, 2013, meetings be approved. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Dr. DeFusco Mr. Maginn Mr. Dinkel Ms. Werner-Robertson
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ABSENT NOT VOTING:	Mr. Conley
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The motion carried.

COUNCIL MEMBER BUSINESS: 8:34 a.m. to 8:40 a.m. Ms. Werner-Robertson informed the Council that Mr. Conley would not be at today's meeting due to a death in the family. Ms. Werner-Robertson also stated that Dr. DeFusco would be leaving early due to the first day of classes at the University and that Mr. Maginn would need to leave early due to a scheduling conflict. Ms. Laurel Nicholson would be covering for Mr. Kotary at today's meeting. Mr. States stated that today's meeting would include a follow-up discussion regarding items discussed at the July Retreat.

2ND QUARTER 2013 PERFORMANCE REPORT AND RISK BUDGET REPORT: 8:40 a.m. to 9:10 a.m. Ms. Nicholson reviewed with the Council the current market conditions and discussed the 2nd Quarter 2013 Performance Report included in the meeting book. Ms. Nicholson reported total assets under management of \$18.8 billion. Ms. Nicholson's presentation also included the annual Risk Budget Report, which compared annualized active risk to misfit risk. Ms. Nicholson reported that all portfolios are in compliance with the active risk range

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established in the Risk Budget Policy and that no action is needed at this time.

INVESTMENT RETREAT ASSET ALLOCATION AND PORTFOLIO STRATEGIES NEXT STEPS: 9:10 a.m. to 10:38 a.m. Mr. States stated that as a follow-up to the July 16, 2013, Council Retreat Ms. Nicholson and Ms. Rebekah Y. Chow, CFA, CAIA, Senior Researcher on HEK's fixed income team would discuss a number of items the Council had requested additional information on to assist them in evaluating the overall investment program and consider appropriate changes. Their report which was included in the meeting book discussed; 1) fixed income manager guidelines; 2) long-term asset allocation scenarios; and 3) custom peer universe. Ms. Chow provided additional information on investing in senior bank loans as part of the fixed income asset class. The Council requested that HEK provide additional information on the custom peer group, provide an evaluation of the risk and return characteristics for the fixed income asset class and will continue with the discussion at the September 24, 2013, Council meeting.

The Council took a break and reconvened at 10:50 a.m.

REAL ESTATE PERFORMANCE AND PRESENTATION: 10:50 a.m. to 11:18 a.m. Mr. Rose reviewed with the Council the 1st Quarter 2013 Performance Report included in the meeting book. Mr. Rose's presentation included a performance review of the real estate portfolio, overview of investing in real estate debt and placement agent update.

Mr. Rose's presentation also included an introduction of Torchlight Debt Opportunity Fund IV. As part of the NIC's 2013 real estate investment pacing for the DB/CBB Plans, HEK is recommending a \$20 million real estate commitment to Torchlight Debt Opportunity Fund IV, a new fund being offered by Torchlight Investors. Torchlight Investors is one of the longest standing dedicated real estate debt investment managers in the marketplace. The Fund, Torchlight Debt Opportunity Fund IV is a closed end Opportunity fund focused on real estate debt investments in both the public and private markets. Mr. Rose indicated that HEK has conducted a thorough qualitative and quantitative assessment of Torchlight Investors and Torchlight Debt Opportunity Fund IV. Mr. Rose discussed the investment merits and concerns associated with the Firm and the Fund. Mr. Rose indicated that HEK recommends that the Council commit \$20 million to Torchlight Debt Opportunity Fund IV. A copy of their presentation was included in the meeting book.

PRESENTATION BY TORCHLIGHT DEBT OPPORTUNITY FUND IV: 11:18 a.m. to 12:10 p.m. Mr. States introduced from Torchlight Investors Mr. Dan Heflin, Founder and Chief Executive Officer and Mr. Michael Roma, Managing Director. Their presentation which was included in the meeting book included an overview of the firm, commercial real estate debt and Torchlight Debt Opportunity Fund IV.

Following the presentation by Torchlight Investors Mr. Maginn moved to commit \$20 million from the Defined Benefit and Cash Balance Benefit Plans to Torchlight Debt Opportunity Fund IV., pending legal review of the investment documents by counsel provided by Hewitt EnnisKnupp and by the Council's attorney. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Maginn Mr. Dinkel Ms. Werner-Robertson Dr. DeFusco
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ABSENT NOT VOTING:	Mr. Conley
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The motion carried.

Dr. DeFusco left the meeting at 12:05 p.m.

NPERS' Report: 12:10 p.m. to 12:30 p.m. Ms. Chambers informed the Council that NPERS would be relocating to the 1526 Building beginning September 3, 2013. She reported that NPERS recorded a record 700 plus school retirements applications with a June 1st effective date. Ms. Chambers indicated that the Retirement Committee Legislative Studies are tentatively scheduled for November and December.

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STATE TREASURER'S REPORT: 12:30 p.m. to 12:40 p.m. Treasurer Stenberg reported that there has been a great growth in the Nebraska College Savings Plan's assets. Treasurer Stenberg indicated that an aggressive effort is being made to educate citizens that the College Savings Plan is a good investment vehicle. Treasurer Stenberg discussed upcoming activities of the College Savings Plans, which included a booth at the State Fair in Grand Island and an opportunity for Nebraska residents 18 and older to enter a drawing for a \$529 scholarship account during Husker Harvest Days, with the winner being announced on September 13th. September in Nebraska is recognized as College Savings Month. Governor Heineman will be proclaiming September 18th as College Savings Plan Day. Treasurer also discussed NEST Fest and the upcoming online financial challenge.

AUDIT COMMITTEE REPORT: 12:40 p.m. to 12:58 p.m. Mr. Maginn reported that the Audit Committee met with Ms. Westerman, Internal Auditor (IA), for the quarterly meeting with the IA via conference call on August 23, 2013. Mr. Maginn reported Dr. DeFusco and he will attend a meeting on September 6, 2013, with staff from the Auditor of Public Accounts at the NIC's office to discuss the CAFR testing of the NIC's investment programs. The NIC Audit Committee will meet again next quarter with the IA and report back to the Council at that time. A copy of the Audit Committee Report is included in the attachments to the minutes.

Mr. Maginn left the meeting at 12:58 p.m.

STATE INVESTMENT OFFICER'S REPORT: 12:58 p.m. to 1:13 p.m.

Agency Budget Update: Mr. States reviewed the July 31, 2013 Budget Report included in the meeting book and indicated that the Agency is under-budget for the month and fiscal YTD.

Staffing Update: Mr. States reported that he has submitted a request to State Personnel to review the classification of the Internal Auditor. Mr. States indicated that a review of the job description of the Business Manager and creation of the Accountant job description will be done in the near future. Mr. States thanked Ms. Dawes for the great job in coordinating the NIC's recent relocation to the 1526 Building and thanked staff for their cooperation and assistance during the recent move. Mr. States invited the Council to stop by for a visit and take a tour of the NIC's new offices.

Securities Lending Report: Mr. States reviewed with the Council the quarterly and annual Securities Lending Reports included in the meeting book.

IMAs Executed Since Last Regular Meeting: Mr. States reported that the documents for the PIMCO Bravo Fund and New Mountain have been completed and that Oak Tree is in the process of being completed.

Action Plan, Conferences, and Articles: Mr. States stated that the OIP presentation which was previously scheduled for today's meeting will be given at the September 24, 2013. The September 24, 2013, Council meeting will be at La Vista's Courtyard by Marriott Hotel, the Courtyard II Conference Room.

PUBLIC COMMENT ON THE AGENDA: 1:13 p.m. to 1:14 p.m. Ms. Werner-Robertson asked if there was any public comment on the agenda. There was no public comment on the agenda.

At 1:15 p.m. Mr. Dinkel moved to adjourn the meeting. Ms. Werner-Robertson seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE: Mr. Dinkel
 Ms. Werner-Robertson

ABSENT NOT VOTING: Mr. Conley
 Dr. DeFusco
 Mr. Maginn


Kathy Dawes, Secretary